

## Message Text

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SUBJ: SINO-US TRADE-BUSINESS VISITORS TO PEKING IN OCTOBER

SUMMARY AND INTRODUCTION. IN ADDITION TO THE MORE THAN 350 AMERICAN BUSINESSMEN WHO ATTENDED THE OPENING WEEKS OF THE 38TH CHINESE EXPORT COMMODITIES FAIR IN CANTON (PEKING 2071) A NUMBER OF MAJOR AMERICAN EXPORTERS WERE INVITED DIRECTLY TO PEKING DURING OCTOBER. MOST NUMEROUS AMONG THESE WERE FIRMS SUCH AS BAKER TRADING, DRESSER, AND LITTON RESOURCES WHICH SUPPLY PETROLEUM EQUIPMENT FOR BOTH DRILLING AND EXPLORATION. ALSO INCLUDED IN THIS GROUP WAS U.S. STEEL WHICH MADE AN UNSUCCESSFUL EFFORT TO SELL OILFIELD CASING AND TUBING TO THE CHINESE (PEKING 2066).

WHILE THE PRESENCE OF THESE OILFIELD EQUIPMENT FIRMS EMPHASIZED CHINESE INTEREST IN THIS AREA, OTHER U.S. MANUFACTURERS ALSO HAD IMPORTANT DISCUSSION WITH VARIOUS PRC FOREIGN TRADE CORPORATIONS. THESE INCLUDED UNIVERSAL OIL PRODUCTS (PETRO-CHEMICAL PLANTS), HERR-VOSS (ALUMINUM ROLLING EQUIPMENT), RCA AND AMPLEX (VIDEOTAPE RECORDERS). AS IS USUAL DURING THE TRADE FAIRS, A NUMBER OF U.S. IMPORTERS WERE INVITED TO PEKING TO CONTINUE BUSINESS NEGOTIATIONS BEGUN IN CANTON. THIS MESSAGE CONTAINS COMMERCIALLY SENSITIVE INFORMATION. END SUMMARY.

1. THE FOLLOWING US BUSINESS VISITORS WERE IN PEKING

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DURING OCTOBER:

A. DRESSER INDUSTRIES- AFTER SEVERAL WEEKS IN PEKING, DRESSER'S ROBERT BRIMBERRY TOLD USLO OCTOBER 31 THAT HIS FIRM HAD VIRTUALLY COMPLETED NEGOTIATIONS WITH THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) FOR THE SALE OF OIL WELL LOGGING EQUIPMENT VALUED AT \$20 MILLION. BRIMBERRY SAID THE SALE, WHICH INCLUDES 14 EQUIPPED WITH DOWN-HOLE TESTING EQUIPMENT, WILL BE DIVIDED INTO TWO CONTRACTS WITH EPARATE SHIPMENTS GOING TO SHANGHAI AND THE TSIENTSIN PORT OF HSIN KANG. QUOTING MACHIMPEX REPRESENTATIVES, BRIMBERRY SAID ONE GROUP OF VEHICLES WILL BE USED AT AN OIL FIELD NEAR TSINTSIN (PROBABLY TA KANG) WHILE THE OTHER WILL BE SENT FROM SHANGHAI TO A FIELD DEEP IN THE INTERIOR. DURING THE NEGOTIATIONS, DRESSER ENCOUNTERED SUCH STIFF RESISTANCE ON PRICE THAT AT ONE POINT BRIMBERRY CONCLUDED AGREEMENT WAS IMPOSSIBLE. IT WAS ONLY AFTER HE ACTUALLY BROKE OFF THE TALKS AND WAS PREPARING TO LEAVE PEKING THAT THECHINESE ACCEPTED HIS TERMS AND ASKED HIM TO STAY AND CONCLUDE THE CONTRACT.

B. LITTON RESOURCES SYSTEMS - MARKETING MANAGER DAVID MATHEWS SPENT TWO WEEKS INPEKING AT THE INVITATION OF THE MACHINERY CORPORATION GIVING TECHNICAL LECTURES ON EQUIPMENT PRODUCED BY THIS HOUSTON FIRM. LITTON MANUFACTURES SEISMIC AND MARINE NAVIGATION SYSTEMS USED IN ON-SHORE AND OFF-SHORE PETROLEUM EXPLORATION AND EQUIPMENT UNDER DISCUSSION RANGED FROM A \$500,000 UNIT FOR ON-SHORE SEISMIC WORK TO FULLY EQUIPPED OFF-SHORE EXPLORATION VESSELS VALUED AT \$5 MILLION. MATHEWS SAID THE CHINES DID NOT APPEAR INTERESTED IN MAKING ACTUAL PURCHASES AT THIS TIME BUT WERE CLEARLY INTENT ON IMPROVING THEIR KNOWLEDGE OF OFF-SHORE EXPLORATION TECHNIQUES WITH A VIEW TO EVENTUALLY BUYING THE EQUIPMENT REQUIRED FOR AN INCREASED EFFORT IN THIS AREA.

C. BAKER TRADING COMPANY - PRESIDENT J. RAY PACE AND A TEAM OF BAKER PETROLEUM ENGINEERS RETURNED TO PEKING AFTER A BRIEF US VACATION TO CONTINUE TALKS WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT)

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ON THE SALE OF A PACKAGE OF ON-SHORE OILFIELD EQUIPMENT AND SPARES VALUED BETWEEN \$4-10 MILLION. PACE DESCRIBED HIS NEGOTIATIONS AS EXTREMELY DIFFICULT, BUT SAID HE WAS ENCOURAGED BY NEW CHINESE INTEREST IN EQUIPMENT FOR USE OFF-SHORE, HE NOW EXPECTS TO REMAIN IN PEKING UNTIL THE END OF NOVEMBER.

D. UNIVERSAL OIL PRODUCTS - AFTER CONCLUDING CONTRACTS

FOR THREE PLANTS IN SEPTEMBER, ROBERT SMITH AND A TEAM OF UOP NEGOTIATORS RETURNED TO PEKING IN EARLY OCTOBER FOR FURTHER TALKS WITH TECHIMPORT. IN ADDITION TO THE TWO PARAXYLENE PLANTS ALREADY REPORTED, (PEKING 1811) SMITH SAID UOP ALSO COMPLETED A CONTRACT IN SEPTEMBER FOR A 50 THOUSAND TON PER YEAR CAPACITY DETERGENT PLANT VALUED AT 4.5 MILLION. UNDER BOTH AGREEMENTS UOP WILL PROVIDE TECHNOLOGY, DESIGN ENGINEERING AND OTHER ASSISTANCE WHILE EQUIPMENT WILL BE SUPPLIED BY OTHER CONTRACTORS. SMITH SAID THE CHINESE HAVE ASKED FOR BIDS ON THE PARAXYLENE PLANTS FROM AN ITALIAN, A JAPANESE AND A GERMAN FIRM WITH EACH PROJECT EXPECTED TO COST ABOUT \$60 MILLION. THE EQUIPMENT FOR THE DETERGENT PLANT (ESTIMATED AT \$70 MILLION) ALSO COME FROM A THIRD COUNTRY SUPPLIER. ON THIS VISIT SMITH SAID HE WILL DISCUSS SIMILAR TECHNOLOGY AND ENGINEERING DESIGN CONTRACTS FOR ONE OR MORE PLANTS WHICH PRODUCE FEED STOCKS FOR MAKING SYNTHETIC FIBERS.

E. RCA AND AMPEX - DURING OCTOBER BOTH OF THESE MAJOR AMERICAN ELECTRONIC FIRMS REACHED AGREEMENTS WITH MACHIMPEX FOR THE SALE OF VIDEOTAPE RECORDING EQUIPMENT AND BOTH ENCONTERED SIMILAR DIFFICULTIES WITH US EXPORT CONTROL REGULATIONS. ON OCTOBER 2, RCA'S G.B. FLENNER AND JOSEPH ULASCEWICZ CONCLUDED THE SALE OF A TR-600 TELEVISION MAGNETIC RECORDER WHICH HAD BEEN BROUGHT TO PEKING ON AN EXPORT CONTROL LICENSE PERMITTING DEMONSTRATION BUT NOT SALE OF THE EQUIPMENT. RCA RESOLVED THE PROBLEM BY TEMPORARILY SHIPPING THE RECORDER TO TOKYO PENDING RECEIPT OF A LICENSE AUTHORIZING SALE TO THE PRC (PEKING 1889). FOLLOWING THIS EXPERIENCE, RAY SMART OF THE AMPEX CORPORATION CONCLUDED A CONTRACT FOR A AVR-2 VIDEOTAPE RECORDER BROUGHT INTO CHINA UNDER A SIMILAR PERMIT. AT THE END OF THE MONTH SMART SOUGHT USLO ASSISTANCE, LIMITED OFFICIAL USE

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BUT WAS UNCERTAIN WHAT HE WOULD DO WITH THE EQUIPMENT UNTIL THE APPROPRIATE LICENSE WAS RECEIVED.

F. HERR-VOSS - EXECUTIVE VICE PRESIDENT GUS FORNATARO AND ASSOCIATE CARL KOPPEL CALLED ON USLO OCTOBER 28, THEIR FIRST DAY IN PEKING, TO DISCUSS THEIR FORTHCOMING NEGOTIATIONS WITH MACHIMPEX FOR THE SALE OF TWO TAPER ROLLER LEVELERS FOR ALUMINUM SHEET. ACCORDING TO FORNATARO THE MACHINERY WITH SPARES IS VALUED AT \$1.2 MILLION. HERR-VOSS IS A RELATIVE SMALL, PENNSYLVANIA MANUFACTURER (ANNUAL SALES OF \$15 MILLION) AND A CONTRACT OF THIS SIZE WOULD REPRESENT A MAJOR TRANSACTION FOR THE FIRM. FORNATARO OFFERED TO KEEP USLO INFORMED ON THE PROGRESS OF HIS DISCUSSION AND SAID HE HOPED TO CONCLUDE A CONTRACT IN

ABOUT TWO WEEKS.

2. THIS MESSAGE CONTAINS COMMERCIALY SENSITIVE INFORMATION.

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